



TAX EXEMPT AND
GOVERNMENT ENTITIES

DEPARTMENT OF THE TREASURY
INTERNAL REVENUE SERVICE
TE/GE — EO Mandatory Review
1100 Commerce Street, MC 4920-DAL
Dallas, TX 75242

October 30, 2007

DIVISION

Release Number: 201323032
Release Date: 6/72013

Employer Identification Number:
Person to Contact:

LEGEND

UIL: 501.04-01

ORG + Name Org

Date = xx

Contact Telephone Number:
In Reply Refer To:
TE/GE Review Staff

Dear :

This is a Final Adverse Determination as to your exempt status under section 501(c)(4) of the Internal Revenue Code.

Our adverse determination was made for the following reasons:

ORG failed to establish that they meet the requirement for exemption under IRC 501(c)(4). Section 1.501(c)(4)-1(a)(1) and (2) of the Treasury Regulations reads in part, "(a) Civic organizations (1) *In general*. —A civic league or organization may be exempt as an organization described in section 501(c)(4) if: (i) It is not organized or operated for profit; and (ii) It is operated exclusively for the promotion of social welfare. (2) Promotion of social welfare (i) *In general*. —An organization is operated exclusively for the promotion of social welfare if it is primarily engaged in promoting in some way the common good and general welfare of the people of the community. An organization embraced within this section is one which is operated primarily for the purpose of bringing about civic betterments and social improvements.

As a result of our recent audit of your organization's activities for the period ended December 31, 19xx, it was determined that your organization operates a bar for its members, as well as for the general public. An organization is not organized and operated primarily for the promotion of social welfare, if its primary activity is operating a social club for the benefit, pleasure, or recreation of its members, or is carrying on a business with the general public in a manner similar to organizations which are operated for profit. Therefore, we are revoking your organization's exemption from

Federal income tax under section 501(c)(4) of the Internal Revenue Code effective January 1, 19xx.

You are required to file Form 1120, U.S. Corporation Income Tax Return. These returns should be filed with the appropriate Service Center for all years beginning after December 31, 2000. Form 1120 must be filed by the 15th day of the third month after the end of your annual accounting period. A penalty of \$20 a day is charged when a return is filed late, unless there is reasonable cause for the delay. However, the maximum penalty charged cannot exceed \$10,000 or 5 percent of your gross receipts for the year, whichever is less. This penalty may also be charged if a return is not complete, so please be sure your return is complete before you file it. You are required to file Form 1120 with the appropriate Internal Revenue Campus.

You have the right to contact the office of the Taxpayer Advocate. However, you should first contact the person whose name and telephone number are shown above since this person can access your tax information and can help you get answers. You can call 1-877-777-4778 and ask for Taxpayer Advocate assistance. Or you can contact the Taxpayer Advocate from the site where the tax deficiency was determined by writing to: Internal Revenue Service,

Taxpayer Advocate assistance cannot be used as a substitute for established IRS procedures, formal appeals processes, etc. The Taxpayer Advocate is not able to reverse legal or technically correct tax determinations, nor extend the time fixed by law that you have to file a petition in the United States Tax Court. The Taxpayer Advocate can, however, see that a tax matter that may not have been resolved through normal channels, gets prompt and proper handling.

If you have any questions, please contact the person whose name and telephone number are shown in the heading of this letter.

Sincerely,

A handwritten signature in black ink that reads "Marsha A. Ramirez". The signature is written in a cursive style with a large, stylized "M" and "R".

Marsha A. Ramirez
Director, EO Examinations



TAX EXEMPT AND
GOVERNMENT ENTITIES
DIVISION

DEPARTMENT OF THE TREASURY

Internal Revenue Service

TEGE:EO Examinations

June 30, 2005

LEGEND:

ORG= Name of ORG

Date = xx

Address = Name of Address

ORG

ADDRESS

Taxpayer Identification Number:

Form:

Tax Year(s) Ended:

Person to Contact/ID Number:

Contact Numbers:

Telephone:

Fax:

CERTIFIED MAIL — RETURN RECEIPT REQUESTED

Dear :

We have enclosed a copy of our report of examination explaining why we believe an adjustment of your organization's exempt status is necessary.

If you do not agree with our position you may appeal your case. The enclosed Publication 3498, *The Examination Process*, explains how to appeal an Internal Revenue Service (IRS) decision. Publication 3498 also includes information on your rights as a taxpayer and the IRS collection process.

If you request a conference, we will forward your written statement of protest to the Appeals Office and they will contact you. For your convenience, an envelope is enclosed.

If you and Appeals do not agree on some or all of the issues after your Appeals conference, or if you do not request an Appeals conference, you may file suit in United States Tax Court, the United States Court of Federal Claims, or United States District Court, after satisfying procedural and jurisdictional requirements as described in Publication 3498.

You may also request that we refer this matter for technical advice as explained in Publication 892, *Exempt Organization Appeal Procedures for Unagreed Issues*. If a determination letter is issued to you based on technical advice, no further administrative appeal is available to you within the IRS on the issue that was the subject of the technical advice.

If you accept our findings, please sign and return the enclosed Form 6018, *Consent to Proposed Adverse Action*. We will then send you a final letter modifying or revoking exempt status. If we do not hear from you within 30 days from the date of this letter, we will process your case on the basis of the recommendations shown in the report of examination and this letter will become final. In that event, you will be required to file Federal income tax returns for the tax period(s) shown above. File these returns with the Ogden Service Center within 60 days from the date of this letter, unless a request for an extension of time is granted. File returns for later tax years with the appropriate service center indicated in the instructions for those returns.

You have the right to contact the office of the Taxpayer Advocate. Taxpayer Advocate assistance is not a substitute for established IRS procedures, such as the formal appeals process. The Taxpayer Advocate cannot reverse a legally correct tax determination, or extend the time fixed by law that you have to file a petition in a United States court. The Taxpayer Advocate can, however, see that a tax matter that may not have been resolved through normal channels gets prompt and proper handling. You may call toll-free 1-877-777-4778 and ask for Taxpayer Advocate Assistance. If you prefer, you may contact your local Taxpayer Advocate at:

If you have any questions, please call the contact person at the telephone number shown in the heading of this letter. If you write, please provide a telephone number and the most convenient time to call if we need to contact you.

Thank you for your cooperation.

Sincerely,

R. C. Johnson
Director, EO Examinations

Enclosures:

Publication 892

Publication 3498

Form 6018 -R

Report of Examination

Envelope

Form 886A	Department of the Treasury- Internal Revenue Service	Schedule No. or Exhibit
Explanation of Items		
Name of Taxpayer		
ORG		

LEGEND:

ORG = Name of ORG

DATE = xx

As a result of our examination of your Form 990 filed for the period ended December 31, 19xx, we are proposing a revocation of your organization's exempt status.

Our records show that in November of 19xx, you were granted exempt status under section 501C(4) of the Internal Revenue Code. Section 5010(4) applies to an organization which has a purpose and activities that promote the common good and betterment of members of the community.

Your organization operates a post for war veterans of military service in foreign campaign. You conduct charitable activities, including fundraising events, such as poppy sales and raffles. The proceeds are donated to charitable organizations. You also conduct patriotic and community activities. Your organization operates a bar for its members, as well as for the general public. You hold a Class B liquor license, which entitles you to be open for public patronage.

Section 1.5010(4)-1 of the Income Tax Regulations provides that a civic league or social welfare organization may be exempt as an organization described in section 5010(4), if it is not organized for profit, and it is operated exclusively for the promotion of social welfare. An organization is not organized and operated primarily for the promotion of social welfare, if its primary activity is operating a social club for the benefit, pleasure, or recreation of its members, or is carrying on a business with the general public in a manner similar to organizations which are operated for profit.

In view of the foregoing, it is held that your organization no longer qualifies for exempt status under IRC Section 5010(4) as a social welfare organization. Therefore, we are proposing a revocation of your organization's exempt status.

We considered whether you would qualify for exempt status under section 5010(7) of the Internal Revenue Code. Section 5010(7) applies to a social club which is organized and operated exclusively for the pleasure, recreation, and other nonprofitable purposes of its members. Section 1.501C(7)-1(b) of the Income Tax Regulations states that "a club which engages in business, such as making its social and recreational facilities available to the general public, or by selling real estate, timber, or other products, is not organized and operated exclusively for pleasure, recreation, and other nonprofitable purposes, and is not exempt under section 501(a)."

As your organization has converted to a Class B liquor license, entitling you to serve the general public at large, you do not qualify for exempt status under section 5010(7) of the Internal Revenue Code.

We considered whether you would qualify for exempt status under section 501C(19) of the Internal Revenue Code. Section 501C(19) applies to a War Veterans' organization of which at least 90% of the members are war veterans. Substantially all of the other members must be either veterans, cadets, or spouses, widows, or widowers of war veterans, veterans, or cadets. "War veterans" are defined as persons who have served in the United States Armed Forces during a period of war.

As your organization does not satisfy these membership requirements, you do not qualify for exempt status under IRC section 5010(19).

As you do not qualify for exempt status under any other section of the Internal Revenue Code, we are proposing a revocation of your current exempt status, effective January 1, 19xx.

Please note that this is not a final report. This report is subject to review by our Mandatory Review staff, who may modify the report.

Form 886-A	Department of the Treasury- Internal Revenue Service	Schedule No. or Exhibit
Explanation of Items		
Name of Taxpayer org		Page 2 of 2

Whereas your organization appears to be carrying on a business with the general public in a manner which is similar to organizations which are operated for profit, your income is considered as taxable in its entirety.

In the event that the proposed revocation of your exempt status is not upheld by our Mandatory Review Staff, and you continue to be exempt, tax adjustments to your filed Forms 990-T may be proposed for all open years. If you owe any taxes, after allowable expense deductions are applied, then you may receive a bill from our service center for any taxes owed.